Govan Mbeki Local Municipality
Annual Financial Statements
for the year ended 30 June 2013

General Information

Legal form of entity	Municipality
Municipal dermarcation code	MP307
Executive Mayor	Masina LL
Speaker	Gwiji CV
Chief Whip	Makhaye SA
Mayoral committee	
	Khayiyana MZC
	Mahlangu BS
	Mtshali PD
	Ngxonono YT
	Nkambule FB
	Nkosi NE
Councillors	
	Badenhorst HJ
	Baker TE
	Bosch PR
	Buthelezi TM
	Denny TM
	Gwiji CV
	Khayiyana MZC
	Labuschagne PJ
	Lekoloane ML
	Mabena SS
	Mahlangu BD
	Mahlangu RM
	Mahlangu SS
	Majozi NE
	Makhaye SA
	Makola MB
	Manzi NE
	Masango JM
	Masango SA
	Masina HS
	Masombuka PP
	Masombuka SM
	Mathabe NM
	Mayisa JS
	Mkhwanazi ZG
	Mngomezulu MP
	Motaung AD
	Mtsweni LJ
	Mtsweni MJ
	Mtsweni TA
	Mvundla WL
	Mzinyane TE

General Information

	Ndaba BB
	Ndinisa BJ
	Ndlovu SJ
	Ngxonono YT
	Nhlapo MD
	Nkabinde JB
	Nkabinde MA
	Nkambule FB
	Nkosi MJ
	Nkosi NK
	Ntuli GN
	Nxumalo NJ
	Nzama PG
	Pretorius RJ
	Sibande ES
	Tlou DL
	Tsotetsi TJ
	van Baalen JA
	van Den Berg PE
	van Huyssteen NC
	van Rooyen EJ
	van Tonder DJ
	Victor NS
	Vilakazi EA
	Zulu NN
	Zulu TS
	Zwane PJ
Grading of local authority	B1
Capacity of local authority	High
Accounting Officer	Mahlangu MF
Chief Finance Officer (CFO)	Mokgatsi JM
Registered office	Central Business Area Horwood Street Secunda 2302
Postal address	Private Bag X1017 Secunda 2302
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Cronje de Waal and Skhosana Attorneys Inc. Dikotope Attorneys Els Louw and Rasool Attorneys Ramathe MJ Attorneys TMN Kgomo and Associates

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The reports and statements set out below comprise the annual financial statements presented to the council of the municipality:

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
FMG	Finance Management Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements of the municipality set out on pages 6 to 104, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

MF Mahlangu
Accounting Officer
30 August 2013

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 121 265 993 (2012: surplus R 32 559 044).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year to the date of this report.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
MF Mahlangu

5. Corporate governance

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Cash and cash equivalents	3	35 257 480	17 888 295
Other financial assets	4	15 497 408	14 378 346
Consumer receivables	5	399 868 707	71 595 492
Other receivables from exchange transactions	6	6 915 674	7 043 257
Inventories	7	6 576 866	5 666 106
Operating lease asset		78 181	42 696
Short term portion of long term receivables	8	9 725 814	9 725 814
		473 920 130	**126 340 006**
Non-Current Assets			
Investment property	9	855 098 318	948 635 053
Property, plant and equipment	10	2 271 507 783	2 507 839 575
Intangible assets	11	85 394	69 701
Heritage assets	12	4 643 836	4 643 836
Long term receivables	8	94 671 819	70 870 612
		3 226 007 150	**3 532 058 777**
Total Assets		**3 699 927 280**	**3 658 398 783**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	13	203 374 566	241 282 088
Payables from non-exchange transactions	14	4 107 287	16 691 534
VAT payable	15	68 047 198	25 883 703
Finance lease obligation	16	3 047 539	2 470 491
Other financial liabilities	17	3 707 490	3 414 716
Unspent conditional grants and receipts	18	20 511 925	36 074 756
Consumer deposits	19	19 016 023	17 967 595
Employee benefit obligations	21	1 384 000	334 152
Long service award liability	22	1 891 000	1 381 155
		325 087 028	**345 500 190**
Non-Current Liabilities			
Other financial liabilities	17	16 813 345	20 513 754
Finance lease obligation	16	103 606	3 149 988
Provisions	20	84 240 839	138 681 724
Employee benefit obligations	21	54 565 864	54 732 712
Long service award liability	22	17 730 999	15 698 813
		173 454 653	**232 776 991**
Total Liabilities		**498 541 681**	**578 277 181**
Net Assets		**3 201 385 599**	**3 080 121 602**
Accumulated surplus		3 201 385 599	3 080 121 602

Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Revenue from exchange transactions			
Administration and management fees received	24	7 756 798	9 325 816
Dividend revenue	25	-	13 264
Gains on disposal of assets		6 816 334	1 128 849
Incidental income	27	1 502 589	10 512 788
Income from agency services	32	47 059 457	24 839 981
Insurance claims received		2 144 444	835 466
Interest received from outstanding receivables	33	31 780 249	34 777 956
Interest received - investment	25	3 769 154	1 772 046
Reversal of debt impairment	36	252 835 924	-
Other income	28	20 245 220	8 730 972
Rental income	30	3 872 260	10 653 776
Service charges	31	698 723 285	734 745 621
Total revenue from exchange transactions		**1 076 505 714**	**837 336 535**
Revenue from non - exchange transactions			
Taxation revenue			
Property rates	29	179 255 517	155 147 962
Transfer revenue			
Government grants and subsidies	26	311 716 083	249 246 999
Public contributions and donations		15 466 662	113 161
Fines		8 014 144	9 025 432
Total revenue from non - exchange transactions		**514 452 406**	**413 533 554**
Total revenue		**1 590 958 120**	**1 250 870 089**
Expenditure			
Employee related costs	43	(313 257 179)	(302 267 524)
Remuneration of councillors	44	(15 566 880)	(14 498 981)
Depreciation and amortisation	37	(301 760 373)	(362 210 971)
Impairment of assets	42	(1 931 734)	(15 014 790)
Finance costs	38	(12 526 586)	(17 442 204)
Debt impairment	36	-	(114 031 643)
Repairs and maintenance		(35 527 312)	(39 794 444)
Bulk purchases	34	(476 456 041)	(472 660 505)
Contracted services	35	(64 305 507)	(55 498 812)
Grants and subsidies paid	41	(31 316 516)	(89 277 202)
Loss on disposal of assets		(128 485 753)	-
General expenses	39	(51 415 258)	(73 114 685)
Total expenditure		**(1 432 549 139)**	**(1 555 811 761)**
Operating surplus/ (deficit)		**158 408 981**	**(304 941 672)**
Fair value adjustments on financial assets		285 051	(89 934)
Fair value (loss)/ gain on investment property		(37 428 039)	337 590 650
		(37 142 988)	**337 500 716**
Surplus/ (deficit) for the year		**121 265 993**	**32 559 044**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 800 026 791	2 800 026 791
Adjustments		
Correction of errors (note 49)	247 535 767	247 535 767
Balance at 01 July 2011 as restated	**3 047 562 558**	**3 047 562 558**
Changes in net assets		
Surplus for the year	32 559 044	32 559 044
Total changes	32 559 044	32 559 044
Opening balance as previously reported	2 504 960 192	2 504 960 192
Adjustments		
Correction of errors (note 49)	575 159 414	575 159 414
Balance at 01 July 2012 as restated	**3 080 119 606**	**3 080 119 606**
Changes in net assets		
Surplus for the year	121 265 993	121 265 993
Total changes	121 265 993	121 265 993
Balance at 30 June 2013	**3 201 385 599**	**3 201 385 599**

Govan Mbeki Local Municipality
Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Interest received from outstanding receivables		31 780 249	34 777 956
Services rendered		849 600 968	757 167 010
Grants		296 153 252	266 439 473
Interest income		3 769 154	1 772 046
Dividends received		-	13 264
Other receipts		56 876 396	60 978 071
Non cash item		(41 780 850)	(389 542 972)
		1 196 399 169	731 604 848
Payments			
Employee costs		(328 824 059)	(316 766 505)
Suppliers		(755 804 945)	(314 131 407)
Finance costs		(11 010 006)	(14 904 850)
Other payments		(64 305 507)	(55 498 812)
		(1 159 944 517)	(701 301 574)
Net cash flows from operating activities	45	**36 454 652**	**30 303 274**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(122 198 044)	(63 264 870)
Proceeds from sale of property, plant and equipment	10	135 508 744	4 388 715
Purchase of investment property	9	-	(66 920)
Proceeds from sale of investment property	9	-	5 105 000
Purchase of intangible assets	11	(96 427)	(38 340)
Proceeds from disposal of intangible assets	11	21 801	-
Purchase of financial assets		(834 011)	7 721 793
Increase in long term receivables		(23 801 207)	48 383 521
Net cash flows from investing activities		**(11 399 144)**	**2 228 899**
Cash flows from financing activities			
Repayment of other financial liabilities		(3 700 409)	(3 567 524)
Finance lease payments		(3 985 914)	(5 123 833)
Net cash flows from financing activities		**(7 686 323)**	**(8 691 357)**
Net increase / (decrease) in cash and cash equivalents		**17 369 185**	**23 840 816**
Cash and cash equivalents at the beginning of the year		17 888 295	(5 952 521)
Cash and cash equivalents at the end of the year	3	**35 257 480**	**17 888 295**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 59
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	726 873 339	(1 000 000)	**725 873 339**	698 723 285	**(27 150 054)**	
Interest received from outstanding receivables	33 920 000	-	**33 920 000**	31 780 249	**(2 139 751)**	
Income from agency services	30 514 253	1 500 000	**32 014 253**	47 059 457	**15 045 204**	
Miscellaneous other revenue	-	-	**-**	252 835 924	**252 835 924**	
Administration and management fees received	5 734 600	-	**5 734 600**	7 756 798	**2 022 198**	
Rental income	4 627 796	-	**4 627 796**	3 872 260	**(755 536)**	
Other income	111 238 615	52 000 000	**163 238 615**	20 245 220	**(142 993 395)**	
Incidental income	1 668 204	-	**1 668 204**	1 502 589	**(165 615)**	
Insurance claims received	936 298	-	**936 298**	2 144 444	**1 208 146**	
Interest received - investment	1 219 000	-	**1 219 000**	3 769 154	**2 550 154**	
Total revenue from exchange transactions	**916 732 105**	**52 500 000**	**969 232 105**	**1 069 689 380**	**100 457 275**	
Revenue from non - exchange transactions						
Taxation revenue						
Property rates	140 860 721	2 200 000	**143 060 721**	179 255 517	**36 194 796**	
Government grants and subsidies	373 983 882	747 764	**374 731 646**	311 716 083	**(63 015 563)**	
Transfer revenue						
Public contributions and donations	-	-	**-**	15 466 662	**15 466 662**	
Fines	9 246 071	-	**9 246 071**	8 014 144	**(1 231 927)**	
Total revenue from non - exchange transactions	**524 090 674**	**2 947 764**	**527 038 438**	**514 452 406**	**(12 586 032)**	
Total revenue	**1 440 822 779**	**55 447 764**	**1 496 270 543**	**1 584 141 786**	**87 871 243**	
Expenditure						
Employee related cost	(316 448 424)	(5 750 000)	**(322 198 424)**	(313 257 179)	**8 941 245**	
Remuneration of councillors	(16 333 021)	-	**(16 333 021)**	(15 566 880)	**766 141**	
Depreciation and amortisation	(80 477 858)	-	**(80 477 858)**	(301 760 373)	**(221 282 515)**	
Impairment loss / Reversal of impairments	-	-	**-**	(1 931 734)	**(1 931 734)**	
Finance costs	(10 015 252)	(2 800 000)	**(12 815 252)**	(12 526 586)	**288 666**	
Debt impairment	(91 043 078)	5 200 000	**(85 843 078)**	-	**85 843 078**	
Repairs and maintenance	(51 771 995)	6 469 568	**(45 302 427)**	(35 527 312)	**9 775 115**	
Bulk purchases	(432 972 607)	(52 614 730)	**(485 587 337)**	(476 456 041)	**9 131 296**	
Contracted services	(58 053 000)	(11 057 459)	**(69 110 459)**	(64 305 507)	**4 804 952**	
Grants and subsidies paid	(52 051 947)	-	**(52 051 947)**	(31 316 516)	**20 735 431**	
General expenses	(147 024 279)	(36 751 379)	**(183 775 658)**	(51 415 258)	**132 360 400**	
Total expenditure	**(1 256 191 461)**	**(97 304 000)**	**(1 353 495 461)**	**(1 304 063 386)**	**49 432 075**	
Operating surplus	**32 858 664**	**(79 365 319)**	**(46 506 655)**	**280 078 400**	**326 585 055**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 59
Loss on disposal of assets and liabilities	-	-	-	(121 669 419)	**(121 669 419)**	
Fair value adjustments	-	-	-	285 051	**285 051**	
Loss on non-current assets held for sale or disposal groups	-	-	-	(37 428 039)	**(37 428 039)**	
	-	**-**	**-**	**(158 812 407)**	**(158 812 407)**	
Surplus	**32 858 664**	**(79 365 319)**	**(46 506 655)**	**121 265 993**	**167 772 648**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**32 858 664**	**(79 365 319)**	**(46 506 655)**	**121 265 993**	**167 772 648**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 59
Statement of Financial Position						
Assets						
Current Assets						
Inventories	32 373 845	-	**32 373 845**	6 576 866	**(25 796 979)**	
Other financial assets	14 297 032	1 012 414	**15 309 446**	15 497 408	**187 962**	
Operating lease asset	-	-	**-**	78 181	**78 181**	
Other receivables from exchange transactions	4 861 885	-	**4 861 885**	6 915 674	**2 053 789**	
Consumer receivables	183 574 573	37 132 912	**220 707 485**	399 868 707	**179 161 222**	
Short term portion of long term receivables	10 752 419	-	**10 752 419**	9 725 814	**(1 026 605)**	
Cash and cash equivalents	-	-	**-**	35 257 480	**35 257 480**	
	245 859 754	**38 145 326**	**284 005 080**	**473 920 130**	**189 915 050**	
Non-Current Assets						
Investment property	248 664 938	-	**248 664 938**	855 098 317	**606 433 379**	
Property, plant and equipment	2 719 046 152	5 314 764	**2 724 360 916**	2 271 507 783	**(452 853 133)**	
Intangible assets	69 701	-	**69 701**	85 394	**15 693**	
Heritage assets	-	-	**-**	4 643 836	**4 643 836**	
Long term receivables	8 762 623	-	**8 762 623**	94 671 819	**85 909 196**	
Other non current assets	1 413 188	-	**1 413 188**	-	**(1 413 188)**	
	2 977 956 602	**5 314 764**	**2 983 271 366**	**3 226 007 149**	**242 735 783**	
Total Assets	**3 223 816 356**	**43 460 090**	**3 267 276 446**	**3 699 927 279**	**432 650 833**	
Liabilities						
Current Liabilities						
Bank overdraft	123 645 269	(51 808 560)	**71 836 709**	-	**(71 836 709)**	
Other financial liabilities	3 363 351	344 139	**3 707 490**	3 707 490	**-**	
Finance lease obligation	-	-	**-**	3 047 539	**3 047 539**	
Trade and other payables from exchange transactions	364 814 687	36 037 323	**400 852 010**	203 374 560	**(197 477 450)**	
Payables from non-exchange transactions	-	-	**-**	4 107 287	**4 107 287**	
VAT payable	-	-	**-**	68 047 198	**68 047 198**	
Consumer deposits	20 243 444	-	**20 243 444**	19 016 023	**(1 227 421)**	
Employee benefit obligations	-	-	**-**	1 384 000	**1 384 000**	
Unspent conditional grants and receipts	-	-	**-**	20 511 925	**20 511 925**	
Provisions	26 864 783	-	**26 864 783**	-	**(26 864 783)**	
Long service award liability	-	-	**-**	1 891 000	**1 891 000**	
	538 931 534	**(15 427 098)**	**523 504 436**	**325 087 022**	**(198 417 414)**	
Non-Current Liabilities						
Other financial liabilities	16 747 591	(584 724)	**16 162 867**	16 813 345	**650 478**	
Finance lease obligation	-	-	**-**	103 606	**103 606**	
Employee benefit obligations	-	-	**-**	54 565 864	**54 565 864**	
Provisions	210 548 135	-	**210 548 135**	84 240 839	**(126 307 296)**	
Long service award liability	-	-	**-**	17 730 999	**17 730 999**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 59
	227 295 726	**(584 724)**	**226 711 002**	**173 454 653**	**(53 256 349)**	
Total Liabilities	**766 227 260**	**(16 011 822)**	**750 215 438**	**498 541 675**	**(251 673 763)**	
Net Assets	**2 457 589 096**	**59 471 912**	**2 517 061 008**	**3 201 385 604**	**684 324 596**	
Net Assets						
Net Assets						
Reserves						
Reserve	80 477 864	-	**80 477 864**	-	**(80 477 864)**	
Accumulated surplus	2 377 111 232	59 471 912	**2 436 583 144**	3 201 385 604	**764 802 460**	
Total Net Assets	**2 457 589 096**	**59 471 912**	**2 517 061 008**	**3 201 385 604**	**684 324 596**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 59
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	722 585 817	55 110 166	**777 695 983**	-	**(777 695 983)**	
Grants	291 659 000	(4 576 000)	**287 083 000**	-	**(287 083 000)**	
Interest income	1 219 000	-	**1 219 000**	-	**(1 219 000)**	
	1 015 463 817	**50 534 166**	**1 065 997 983**	**-**	**(1 065 997 983)**	
Payments						
Suppliers	(959 357 547)	(35 557 677)	**(994 915 224)**	-	**994 915 224**	
Finance costs	(10 015 252)	800 000	**(9 215 252)**	-	**9 215 252**	
Other payments	(52 051 947)	-	**(52 051 947)**	-	**52 051 947**	
	(1 021 424 746)	**(34 757 677)**	**(1 056 182 423)**	**-**	**1 056 182 423**	
Net cash flows from operating activities	**(5 960 929)**	**15 776 489**	**9 815 560**	**-**	**(9 815 560)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(121 796 000)	-	**(121 796 000)**	-	**121 796 000**	
Proceeds from sale of property, plant and equipment	49 865 632	(37 399 224)	**12 466 408**	-	**(12 466 408)**	
Proceeds from sale of financial assets	-	1 012 414	**1 012 414**	-	**(1 012 414)**	
Decrease in non current receivables	(2 320 086)	-	**(2 320 086)**	-	**2 320 086**	
Net cash flows from investing activities	**(74 250 454)**	**(36 386 810)**	**(110 637 264)**	**-**	**110 637 264**	
Cash flows from financing activities						
Repayment of other financial liabilities	(3 414 716)	7 084	**3 407 632**	-	**(3 407 632)**	
Movement in consumer deposits	2 212 519	-	**2 212 519**	-	**(2 212 519)**	
Net cash flows from financing activities	**(1 202 197)**	**7 084**	**(1 195 113)**	**-**	**54 276 363 754**	
Net increase / (decrease) in cash and cash equivalents	(81 413 580)	(20 603 237)	**(102 016 817)**	-	**54 377 185 458**	
Cash and cash equivalents at the beginning of the year	(42 231 690)	72 411 797	**30 180 107**	-	**(30 180 107)**	
Cash and cash equivalents at the end of the year	**(123 645 270)**	**51 808 560**	**(71 836 710)**	**-**	**54 347 005 351**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Property rates	140 860 721	2 200 000	143 060 721	-		143 060 721	179 255 517		36 194 796	125 %	127 %
Service charges	726 873 339	(1 000 000)	725 873 339	-		725 873 339	698 723 285		(27 150 054)	96 %	96 %
Investment revenue	1 219 000	-	1 219 000	-		1 219 000	3 769 154		2 550 154	309 %	309 %
Transfers recognised - operational	199 763 000	(4 567 000)	195 196 000	-		195 196 000	311 716 083		116 520 083	160 %	156 %
Other own revenue	212 735 837	60 784 764	273 520 601	-		273 520 601	383 223 080		109 702 479	140 %	180 %
Total revenue (excluding capital transfers and contributions)	**1 281 451 897**	**57 417 764**	**1 338 869 661**	**-**		**1 338 869 661**	**1 576 687 119**		**237 817 458**	**118 %**	**123 %**
Employee related cost	(316 448 424)	(5 750 000)	(322 198 424)	-	(5 750 000)	(327 948 424)	(313 257 179)	-	14 691 245	96 %	99 %
Remuneration of councillors	(16 333 021)	-	(16 333 021)	-	-	(16 333 021)	(15 566 880)	-	766 141	95 %	95 %
Debt impairment/ Reversal of impairment	(91 043 078)	5 200 000	(85 843 078)			(85 843 078)	-	-	85 843 078	- %	- %
Depreciation and ammortisation	(80 477 858)	-	(80 477 858)			(80 477 858)	(303 692 107)	-	(223 214 249)	377 %	377 %
Finance charges	(10 015 252)	(2 800 000)	(12 815 252)	-	(2 000 000)	(14 815 252)	(12 526 586)	-	2 288 666	85 %	125 %
Bulk purchases	(432 972 607)	(52 614 730)	(485 587 337)	-	-	(485 587 337)	(476 456 041)	-	9 131 296	98 %	110 %
Grants and subsidies paid	(52 051 947)	-	(52 051 947)	-	-	(52 051 947)	(31 316 516)	-	20 735 431	60 %	60 %
Other expenditure	(256 849 275)	(41 339 270)	(298 188 545)	-	(4 050 000)	(302 238 545)	(318 072 479)	-	(15 833 934)	105 %	124 %
Total expenditure	**(1 256 191 462)**	**(97 304 000)**	**(1 353 495 462)**	**-**	**(11 800 000)**	**(1 365 295 462)**	**(1 470 887 788)**	**-**	**(105 592 326)**	**108 %**	**117 %**
Surplus / (Deficit)	**25 260 435**	**(39 886 236)**	**(14 625 801)**	**-**		**(26 425 801)**	**105 799 331**		**132 225 132**	**(400)%**	**419 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contributions recognised - capital and contributed assets	159 370 882	(1 970 000)	157 400 882	-		157 400 882	15 466 662		(141 934 220)	10 %	10 %
Surplus / (Deficit) after capital transfers and contributions	**184 631 317**	**(41 856 236)**	**142 775 081**	**-**		**130 975 081**	**121 265 993**		**(9 709 088)**	**93 %**	**66 %**
Surplus / (Deficit) for the year	**184 631 317**	**(41 856 236)**	**142 775 081**	**-**		**130 975 081**	**121 265 993**		**(9 709 088)**	**93 %**	**66 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	103 656 337	-	103 656 337	-		103 656 337	(224 547)		(103 880 884)	- %	- %
Sources of capital funds											
Transfers recognised - capital	159 370 882	-	159 370 882	-		159 370 882	107 339 730		(52 031 152)	67 %	67 %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash flows from operating activities	(5 960 929)	15 776 489	9 815 560	-		9 815 560	36 454 652		26 639 092	371 %	(612)%
Net cash flows from investing activities	(74 250 454)	(36 386 810)	(110 637 264)	-		(110 637 264)	(11 399 144)		99 238 120	10 %	15 %
Net cash flows from financing activities	(1 202 197)	7 084	(1 195 113)	-		(1 195 113)	(7 686 323)		(6 491 210)	643 %	639 %
Net increase / (decrease) in cash and cash equivalents	**(81 413 580)**	**(20 603 237)**	**(102 016 817)**	**-**		**(102 016 817)**	**17 369 185**		**119 386 002**	**(17)%**	**(21)%**
Cash and cash equivalents at the beginning of the year	(42 231 690)	72 411 797	30 180 107	-		30 180 107	17 888 295		(12 291 812)	59 %	(42)%
Cash and cash equivalents at year end	**(123 645 270)**	**51 808 560**	**(71 836 710)**	**-**		**(71 836 710)**	**35 257 480**		**(107 094 190)**	**(49)%**	**(29)%**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2012				
Financial Performance				
Property rates				155 147 962
Service charges				734 745 621
Investment revenue				1 785 310
Transfers recognised - operational				249 246 999
Other own revenue				447 421 686
Total revenue (excluding capital transfers and contributions)				**1 588 347 578**
Employee costs	-	-	-	(302 267 524)
Remuneration of councillors	-	-	-	(14 498 981)
Debt impairment	-	-	-	(114 031 643)
Depreciation and asset impairment	-	-	-	(377 225 761)
Finance charges	-	-	-	(17 442 204)
Materials and bulk purchases	-	-	-	(472 660 505)
Transfers and grants	-	-	-	(89 277 202)
Other expenditure	-	-	-	(168 497 875)
Total expenditure	**-**	**-**	**-**	**(1 555 901 695)**
Contributions recognised - capital and contributed assets				113 161
Surplus / (Deficit) after capital transfers and contributions				**32 559 044**
Surplus / (Deficit) for the year				**32 559 044**
Capital expenditure and funds sources				
Total capital expenditure				(22 422 606)
Sources of capital funds				
Transfers recognised - capital				(60 641 180)

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash flows from operating activities				30 303 274
Net cash flows from investing activities				2 228 899
Net cash from financing activities				(8 691 357)
Net increase / (decrease) in cash and cash equivalents				**23 840 816**
Cash and cash equivalents at the beginning of the year				(5 952 521)
Cash and cash equivalents at year end				**17 888 295**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 50 Changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements are described below:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In making the above mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17 (Property, Plant and Equipment), GRAP 12 (Inventory), GRAP 31 (Intangible Assets), GRAP 26 (Impairment of cash generating assets) and GRAP 21 (Impairment of Non Cash Generating Assets). In particular, the calculation of the recoverable service amount for property, plant and equipment and intangible assets and the net realisable value for inventories involves significant judgement by management.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20- Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for debt impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

1.2 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost at acquisition date or in the case of donated assets or assets acquired by grant, the deemed cost being the fair value of the asset on initial recognition.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site in which it is located.

Where an asset is acquired at no cost or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Expenditure incurred is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces major parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

1.3 Property, plant and equipment (continued)

Item	Average useful life
Land	Indefinite
Buildings	30 years
Infrastructure	10- 30 years
Landfill sites	30 years
Community assets	15- 30 years
Other property, plant and equipment	3- 15 years

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

Assets which the municipality holds for rental to others and subsequently routinely to sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available for sale. These assets are not accounted for as non current assets held for sale. proceeds from sales of these assets are recognised as revenue. All cash flow on these assets are included in the cash flows from operating activities in the cash flow statement.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, excluding rights granted by statue, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

1.5 Intangible assets (continued)

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years
Servitudes	20 years

Intangible assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Accounting Policies

1.6 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or

1.7 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Other financial assets (listed shares)	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at its fair value.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.7 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

1.7 Financial instruments (continued)

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.9 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the first-in-first-out method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Properties held for resale

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Other arrangements

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.10 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.10 Non-current assets held for sale and disposal groups (continued)

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

1.11 Impairment of cash-generating assets (continued)

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.14 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

1.16 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

1.17 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another party without directly giving approximately equal value in exchange, or gives value to another party without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the municipality.

1.17 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Government grants

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 51 for detail.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Budget information

The approved budget is prepared on anaccrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when the municipality receives value from another party without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, the municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgement in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated, but the municipality should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

2. New standards and interpretations (continued)

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 50 Changes in accounting policy.

GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 50 Changes in accounting policy.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

2. New standards and interpretations (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 50 Changes in Accounting Policy.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. The municipality measures a financial instrument at fair value if it is:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, the municipality has transferred control of the asset to another entity.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for the municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that the municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 50 Changes in accounting policy.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013

The municipality has early adopted the amendments for the first time in the 2013 annual financial statements.

The impact of the amendments is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendments is for years beginning on or after 01 April 2013

The municipality has early adopted the amendments for the first time in the 2013 annual financial statements.

The impact of the amendments is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 annual financial statements.

The impact of the amendments is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 annual financial statements.

The impact of the amendments is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 annual financial statements.

The impact of the amendments is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 annual financial statements.

The impact of the amendments is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 annual financial statements.

The impact of the amendments is not material.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:

- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

IGRAP16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2013 annual financial statements.

The impact of the interpretation is not material.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality is unable to reliably estimate the impact of the amendment on the annual financial statements.

GRAP 107: Mergers

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this standard is to establish accounting principles for the combined entity and the combining entity in a merger.

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that the reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

The impact of this interpretation is currently being assessed.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5 976 030	11 755 818
Short-term deposits	29 281 450	6 132 477
	35 257 480	**17 888 295**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired, can be assessed by reference to historical information about counterparty default rates:

The following facilities and terms are attached to the main ABSA Bank account:

Credit rating		
Overdraft facility	-	15 000 000
Guarantee facility	320 000	220 000
Term loan	-	188 000
Fleet card facility	10 000	10 000
Local documentary product facility	-	100 000
Cession notice deposit	27 863 091	12 913 957
	28 193 091	**28 431 957**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2013	**30 June 2012**	**30 June 2011**	**30 June 2013**	**30 June 2012**	**30 June 2011**
ABSA BANK - Current account - 15 1000 0141	5 965 531	9 069 173	12 757 153	5 976 030	11 755 818	(6 935 587)
ABSA BANK - Current account - 20 6447 1346	14 496 980	13 662 967	12 913 958	-	-	-
ABSA BANK - 32 day notice - 30 7438 4195	327 799	318 812	308 603	-	-	-
ABSA BANK - Call account - 90 7013 1319	-	-	392 063	-	-	-
ABSA BANK - Call account - 91 1518 5354	91 044	120 747	64 643	-	-	-
ABSA BANK - Call account - 90 6029 0064	-	-	64 310	-	-	-
ABSA BANK - Cheque Account - 4070043430	189 062	106 090	-	-	-	-
ABSA BANK - Cheque Account - 4079141366	-	(6)	-	-	-	-
ABSA BANK - Cheque Account - 4079147257	28 718 862	5 482 595	-	-	-	-
Total	**49 789 278**	**28 760 378**	**26 500 730**	**5 976 030**	**11 755 818**	**(6 935 587)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
4. Other financial assets		
Designated at fair value		
Listed shares		
Sanlam	112 792	87 659
Old Mutual	889 534	629 617
	1 002 326	**717 276**
At amortised cost		
ABSA Fixed deposits The ABSA balance is held as security for the DBSA loan reference number ML13427/102 which had a balance of R3,745,980 (2012: R3,984,946).	14 495 082	13 661 070
Total other financial assets	**15 497 408**	**14 378 346**
Current assets		
Designated at fair value	1 002 326	717 276
At amortised cost	14 495 082	13 661 070
	15 497 408	**14 378 346**

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

	2013	2012
Other financial assets (listed shares) Methods used to determine fair value are as follows: Reference and comparison to quoted prices in active markets for identical assets.	1 129 387	807 210

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, reference is made to a fair value hierarchy which reflects the significance of the inputs used to make the measurements.The fair value hierarchy has the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Levele 3 applies inputs which are not based on observable market data.

	2013	2012
Level 1		
Other financial assets (listed shares)	1 129 387	807 210

The municipality has not transferred any financial assets to level 1 financial assets during the year. (2012: R0.00).

The municipality has not transferred any financial assets out of level 1 financial assets to other levels during the year. (2012: R0.00).

Figures in Rand	2013	2012

5. Consumer receivables

Gross balances		
Rates	66 525 671	50 241 406
Electricity	78 925 722	98 797 090
Water	217 691 371	172 818 134
Sewerage	104 806 571	94 181 726
Refuse	102 224 329	89 206 172
Business services levies	16 432 805	16 432 805
Other	89 042 381	84 971 892
	675 648 850	**606 649 225**
Less: Allowance for impairment		
Rates	(16 212 631)	(41 408 316)
Electricity	(26 687 595)	(78 055 096)
Water	(111 780 137)	(148 781 737)
Sewerage	(46 489 546)	(83 166 868)
Refuse	(42 709 296)	(76 780 149)
Business services levies	(8 712 303)	(16 237 760)
Other	(23 188 635)	(90 623 807)
	(275 780 143)	**(535 053 733)**
Net balance		
Rates	50 313 040	8 833 090
Electricity	52 238 127	20 741 994
Water	105 911 234	24 036 397
Sewerage	58 317 025	11 014 858
Refuse	59 515 033	12 426 023
Business services levies	7 720 502	195 045
Other	65 853 746	(5 651 915)
	399 868 707	**71 595 492**
Included in the above is receivables from exchange transactions		
Electricity	45 800 461	20 741 994
Water	105 911 234	24 036 397
Sewerage	58 317 025	11 014 858
Refuse	59 515 033	12 426 023
Business service levies	7 720 502	195 045
Other	65 853 746	(5 651 915)
	343 118 001	**62 762 402**
Included in the above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	50 313 040	8 833 090
Net balance	**393 431 041**	**71 595 492**
Rates		
Current (0 -30 days)	4 234 161	11 991 076
31 - 60 days	9 615 950	1 244 198
61 - 90 days	1 209 363	1 141 472
91 - 120 days	1 067 568	1 062 368
121+ days	50 398 629	34 802 292
Allowance for impairment	(16 212 631)	(41 408 316)
	50 313 040	**8 833 090**

Figures in Rand	2013	2012

5. Consumer receivables (continued)

	2013	2012
Electricity		
Current (0 -30 days)	11 090 526	67 788 704
31 - 60 days	13 341 855	2 511 109
61 - 90 days	3 470 755	1 830 105
91 - 120 days	3 410 827	2 107 888
121+ days	47 611 759	24 559 285
Allowance for impairment	(26 687 595)	(78 055 097)
	52 238 127	**20 741 994**
Water		
Current (0 -30 days)	19 141 747	47 416 578
31 - 60 days	17 286 891	4 260 725
61 - 90 days	9 144 816	3 962 672
91 - 120 days	5 225 544	4 390 152
121+ days	166 892 373	112 788 010
Allowance for impairment	(111 780 137)	(148 781 740)
	105 911 234	**24 036 397**
Sewerage		
Current (0 -30 days)	2 568 887	9 724 651
31 - 60 days	3 108 957	1 982 944
61 - 90 days	1 640 344	1 856 769
91 - 120 days	1 645 313	1 876 277
121+ days	95 843 070	78 741 085
Allowance for impairment	(46 489 546)	(83 166 868)
	58 317 025	**11 014 858**
Refuse		
Current (0 -30 days)	2 926 144	8 067 491
31 - 60 days	4 416 142	1 877 235
61 - 90 days	1 813 200	1 758 934
91 - 120 days	1 753 824	1 687 436
121+ days	91 315 019	75 815 076
Allowance for impairment	(42 709 296)	(76 780 149)
	59 515 033	**12 426 023**
Business services levies		
Current (0 -30 days)	-	1 024 114
31 - 60 days	-	412 096
61 - 90 days	-	393 579
91 - 120 days	-	392 082
121+ days	16 432 805	14 210 934
Allowance for impairment	(8 712 303)	(16 237 760)
	7 720 502	**195 045**
Other service receivables		
Current (0 -30 days)	1 022 181	1 019 142
31 - 60 days	1 035 876	613 141
61 - 90 days	749 386	320 435
91 - 120 days	719 298	319 089
121+ days	85 515 640	82 700 084
Allowance for impairment	(23 188 635)	(90 623 806)
	65 853 746	**(5 651 915)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

5. Consumer receivables (continued)

Summary of receivables by customer classification

Consumers		
Current (0 -30 days)	28 591 433	80 748 805
31 - 60 days	35 421 237	10 239 486
61 - 90 days	10 987 727	9 339 251
91+ days	490 264 213	441 405 211
	565 264 610	541 732 753
Less: Allowance for impairment	(232 200 266)	(416 273 762)
	333 064 344	**125 458 991**
Industrial/ commercial		
Current (0 -30 days)	11 159 190	63 068 120
31 - 60 days	11 701 284	2 276 828
61 - 90 days	6 490 452	1 653 555
91+ days	39 953 976	44 794 047
	69 304 902	111 792 550
Less: Allowance for impairment	28 469 174	(42 955 801)
	97 774 076	**68 836 749**
National and provincial government		
Current (0 -30 days)	581 128	2 389 875
31 - 60 days	972 294	201 702
61 - 90 days	168 549	109 549
91+ days	2 572 114	3 126 874
	4 294 085	5 828 000
Less: Allowance for impairment	-	(3 103 919)
	4 294 085	**2 724 081**
Other		
Current (0 -30 days)	651 896	824 956
31 - 60 days	710 855	183 434
61 - 90 days	381 137	161 611
91+ days	35 041 365	74 638 274
	36 785 253	75 808 275
Less: Allowance for impairment	15 110 703	(4 212 783)
	51 895 956	**71 595 492**

Reconciliation of allowance for impairment of receivables from exchange transactions

Balance at beginning of the year	(535 053 733)	(421 022 090)
Contributions to allowance	(3 549 140)	(45 524 176)
Debt impairment written off against allowance	6 437 666	(68 507 467)
Reversal of allowance	256 385 064	-
	(275 780 143)	**(535 053 733)**

Consumer receivables pledged as security

No consumer receivables have been pledged as security for any liabilities of the municipality, (2012: R0.00).

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

5. Consumer receivables (continued)

Credit quality of consumer receivables from exchange transactions

The credit quality of consumer receivables from exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Consumer receivables are billed monthly. No interest is charged on consumer receivables until the 7th day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

Assessment rate receivables are billed monthly. No interest is charged on these receivables until the 7th day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality enforces its approved credit control policy to ensure the recovery of consumer receivables.

Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of consumer receivables.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R22,680,218 were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	581 128	-
2 months past due	972 294	-
3 months past due	2 740 663	-

6. Other receivables from exchange transactions

Trade receivables	5 742 704	5 742 704
Sundry receivables	1 172 970	1 300 553
	6 915 674	**7 043 257**

7. Inventories

Consumable stores	6 044 176	4 726 631
Maintenance materials	-	356 033
Water	532 690	583 442
	6 576 866	**5 666 106**

Inventory pledged as security

No inventory items have been pledged as security for any liabilities of the municipality, (2012: R0.00).

8. Long term receivables

Short term portion	9 725 814	9 725 814
Non-current portion	94 671 819	70 870 612
	104 397 633	**80 596 426**

8. Long term receivables (continued)

Credit quality of long term receivables

The credit quality of long term receivables from exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

The municipality enforces its approved credit control policy to ensure the recovery of long term receivables.

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	855 098 318	-	855 098 318	948 635 053	-	948 635 053

Reconciliation of investment property - 2013

	Opening balance	**Transfers**	**Fair value adjustments**	**Total**
Investment property	948 635 052	(56 108 696)	(37 428 039)	855 098 317

Reconciliation of investment property - 2012

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Fair value adjustments**	**Total**
Investment property	615 055 815	66 920	(5 105 000)	1 026 667	337 590 650	948 635 052

Pledged as security

No investment properties have been pledged as security for any liabilities of the municipality, (2012: R0.00).

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	416 654 507	-	416 654 507	361 390 066	-	361 390 066
Buildings	205 764 713	(131 379 946)	74 384 767	195 301 439	(124 318 132)	70 983 307
Infrastructure	4 095 287 927	(2 912 847 277)	1 182 440 650	4 941 531 292	(3 400 434 742)	1 541 096 550
Community assets	682 786 447	(442 366 769)	240 419 678	679 752 880	(416 965 337)	262 787 543
Other property, plant and equipment	126 647 709	(83 246 170)	43 401 539	108 627 771	(76 063 187)	32 564 584
Assets under construction	152 547 685	-	152 547 685	70 385 918	-	70 385 918
Land fill sites	235 675 182	(74 016 225)	161 658 957	235 675 182	(67 043 575)	168 631 607
Total	**5 915 364 170**	**(3 643 856 387)**	**2 271 507 783**	**6 592 664 548**	**(4 084 824 973)**	**2 507 839 575**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Donated assets**	**Disposals**	**Transfers**	**Transfers to investment property**	**Expired lease assets**	**Fair valued assets**	**Depreciation**	**Impairment loss**	**Total**
Land	361 390 066	-	-	(844 255)	76 566 848	(20 458 152)	-	-	-	-	416 654 50
Buildings	70 983 307	-	10 125 500	(28 468)	389 482	-	-	-	(7 021 708)	(63 346)	74 384 76
Infrastructure	1 541 096 550	-	-	(127 061 831)	21 296 287	-	-	-	(251 806 837)	(1 083 519)	1 182 440 65
Community assets	262 787 543	-	-	(229 861)	3 937 436	-	-	-	(25 346 220)	(729 220)	240 419 67
Other property, plant and equipment	32 564 584	14 413 071	5 260 071	(321 338)	-	-	910 610	1 184 213	(10 554 023)	(55 649)	43 401 53
Assets under construction	70 385 918	107 784 975	-	-	(25 623 208)	-	-	-	-	-	152 547 68
Landfill sites	168 631 607	-	-	-	-	-	-	-	(6 972 650)	-	161 658 95
	2 507 839 575	**122 198 046**	**15 385 571**	**(128 485 753)**	**76 566 845**	**(20 458 152)**	**910 610**	**1 184 213**	**(301 701 438)**	**(1 931 734)**	**2 271 507 78**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Donated assets	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	362 416 733	-	-	-	(1 026 667)	-	-	361 390 066
Buildings	80 055 858	-	-	(1 002 847)	-	(6 326 508)	(1 743 196)	70 983 307
Infrastructure	1 822 168 585	3 190 336	7 420 875	-	27 639 715	(313 442 805)	(5 880 156)	1 541 096 550
Community assets	294 071 358	-	-	(229 462)	-	(25 054 882)	(5 999 471)	262 787 543
Other property, plant and equipment	43 485 702	3 612 895	-	(3 156 404)	-	(10 991 479)	(386 130)	32 564 584
Assets under construction	39 563 990	58 461 644	-	-	(27 639 716)	-	-	70 385 918
Landfill sites	175 977 850	-	-	-	-	(6 340 404)	(1 005 839)	168 631 607
	2 817 740 076	**65 264 875**	**7 420 875**	**(4 388 713)**	**(1 026 668)**	**(362 156 078)**	**(15 014 792)**	**2 507 839 575**

Pledged as security

Included in other property, plant and equipment is office equiment subject to finance lease.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets whose carrying amount is as follows:

Refer to note 16 for finance lease obligations.

Assets subject to finance lease (Net carrying amount)

Office equipment	2 581 323	4 220 464

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	134 768	(49 374)	85 394	2 228 279	(2 166 763)	61 516
Servitudes	-	-	-	12 961	(4 776)	8 185
Total	**134 768**	**(49 374)**	**85 394**	**2 241 240**	**(2 171 539)**	**69 701**

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	61 516	96 427	(13 616)	(58 933)	85 394
Servitudes	8 185	-	(8 185)	-	-
	69 701	**96 427**	**(21 801)**	**(58 933)**	**85 394**

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	77 408	38 340	(54 232)	61 516
Servitudes	8 845	-	(660)	8 185
	86 253	**38 340**	**(54 892)**	**69 701**

Pledged as security

All intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality.

12. Heritage assets

	2013			2012		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art collections, antiquities and exhibits	4 643 836	-	4 643 836	4 643 836	-	4 643 836

Reconciliation of heritage assets 2013

	Opening balance	Total
Art collections, antiquities and exhibits	4 643 836	4 643 836

Reconciliation of heritage assets 2012

	Opening balance	Total
Art collections, antiquities and exhibits	4 643 836	4 643 836

Figures in Rand	2013	2012

12. Heritage assets (continued)

Pledged as security

No heritage assets have been pledged as security for any liabilities of the municipality, (2012: R0.00).

13. Trade and other payables from exchange transactions

Trade payables	65 637 791	42 852 868
Retentions	20 024 031	15 187 563
Sundry deposits	798 442	765 590
Accrued leave pay	16 514 078	15 170 511
Accrued annual bonus	6 581 290	6 188 290
Accruals	93 818 934	161 117 266
	203 374 566	**241 282 088**

The average credit period on purchases is 30 days from the date of receipt of an invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

14. Payables from non-exchange transactions

Unallocated receipts	4 107 287	16 691 534

15. VAT payable

Tax refunds/ payables	68 047 198	25 883 703

VAT is payable on the cash basis. Only once payment is received from receivables VAT is paid over to SARS. The amount outstanding per the SARS statement of account differs from amounts indicated as outstanding in the financial statements which are prepared on the accrual basis of accounting.

The amount payable per the SARS statement of account as at 30 June 2013 is R0.00.

Interest on late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before their due date.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Finance lease obligation

Minimum lease payments due		
- within one year	3 678 540	3 985 914
- in second to fifth year inclusive	109 623	3 788 163
	3 788 163	7 774 077
less: future finance charges	(637 018)	(2 153 598)
Present value of minimum lease payments	**3 151 145**	**5 620 479**
Present value of minimum lease payments due		
- within one year	3 047 539	2 470 491
- in second to fifth year inclusive	103 606	3 149 988
	3 151 145	**5 620 479**
Non-current liabilities	103 606	3 149 988
Current liabilities	3 047 539	2 470 491
	3 151 145	**5 620 479**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2012: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

17. Other financial liabilities

At amortised cost		
Annuity loans	20 520 835	23 928 470

Refer to Appendix A for more detail on long term loans.

Non-current liabilities		
At amortised cost	16 813 345	20 513 754
Current liabilities		
At amortised cost	3 707 490	3 414 716

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	18 526 965	33 970 695
Integrated National Electrification Programme Grant	-	845 000
Sport & Development Grant	475 585	562 251
Department of Arts and Culture Grant	64 093	64 093
Extended Public Works Grant	-	632 717
Municipal System Improvement Grant	800 000	-
Housing Grant	645 282	-
	20 511 925	**36 074 756**

See note 26 for reconciliation of grants.

18. Unspent conditional grants and receipts (continued)

These amounts are invested in a ring-fenced investment until utilised.

19. Consumer deposits

	2013	2012
Electricity and water	19 016 023	17 967 595

20. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Reversed during the year	Total
Landfill site closure	138 681 724	(54 440 885)	84 240 839

Reconciliation of provisions - 2012

	Opening Balance	Utilised during the year	Total
Landfill site closure	135 588 414	3 093 310	138 681 724

Provision for landfill site closure

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and closure costs of R84,237,639 (2012: R138,7681,724) to restore the site at the end of its useful life. As at 30 June 2013 the estimated remaining useful lives of the landfill sites were 0 years for Evander, 17 years Bethal, 6 years for Secunda, 2 years for Kinross and 6 years for Leandra. Provision has been made for the net present value of this cost, using the average cost of borrowings.

Performance bonus provision

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. No performance bonuses were due at 30 June 2013 (2012: R0.00) and estimates could not be made reliably in terms of the timing or amount of these bonuses.

21. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post - retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post- retirement benefits are provided to these employees.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

At the valuation date individuals entitled to a post - retirement medical aid subsidy were:
In - service (employee) members:
In - service (employee) non - members:
Continuation (retiree and widow) members:

The current service costs are estimated at R1,384,000 for the current year ending 30 June 2013 (2012: R1,340,022). The expected remaining working lifetime of eligible employees is 19.3 years.

The amounts recognised in the statement of financial position are as follows:

	2013	2012
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(55 066 864)	(55 066 864)
Increase in provision	(883 000)	-
	(55 949 864)	**(55 066 864)**
Non-current liabilities	(54 565 864)	(54 732 712)
Current liabilities	(1 384 000)	(334 152)
	(55 949 864)	**(55 066 864)**

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012
Opening balance	55 066 864	51 847 456
Benefits paid	(3 031 500)	(2 497 368)
Net expense recognised in the statement of financial performance	3 914 500	5 716 776
	55 949 864	**55 066 864**

Net expense recognised in the statement of financial performance

	2013	2012
Current service cost	1 344 981	1 340 022
Interest cost	4 099 843	4 329 513
Actuarial (gains)/ losses	(1 530 324)	47 241
	3 914 500	**5 716 776**

Key assumptions used

Assumptions used at the reporting date:

	2013	2012
Discount rates	7,89 %	7,62 %
Health care cost of inflation	7,14 %	6,83 %
Net effective discount rate	0,70 %	0,74 %

Figures in Rand	2013	2012

22. Long service award liability

The municipality operates a defined benefit plan for all its employees. The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive), to employees. Furthermore, a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of a long service based on historical staff turnover. No other long service benefits are provided to employees.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

At year end, 1,314 (2012: 1,323) employees were eligible for long service awards. The current service cost for the year ending 30 June 2013 is estimated to be R2,201,442 (2012: R2,086,466).

The amounts recognised in the statement of financial position are as follows:

	2013	2012
Present value of the defined benefit obligation-wholly unfunded	17 079 968	14 819 725
Increase in provision	2 542 031	2 260 243
	19 621 999	**17 079 968**
Non - current liabilities	17 730 999	15 698 813
Current liabilities	1 891 000	1 381 155
	19 621 999	**17 079 968**

Changes in the present value of the long service award liability are as follows:

	2013	2012
Opening balance	17 079 968	14 819 725
Benefits paid	(1 359 723)	(1 381 155)
Net expense recognised in the statement of financial performance	3 901 754	3 641 398
	19 621 999	**17 079 968**

Net expense recognised in the statement of financial performance

	2013	2012
Current service cost	2 201 442	1 759 301
Interest cost	1 055 865	1 359 460
Actuarial (gains)/ losses	644 447	522 637
	3 901 754	**3 641 398**

Key assumptions used

	2013	2012
Discount rate	7,40 %	6,55 %
Cost inflation rate	5,66 %	5,97 %
Net effective discount rate	0,69 %	0,55 %
Expected retirement age - females	63 years	63 years
Expected retirement age - males	63 years	63 years

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

23. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	1 002 326	14 495 082	15 497 408
Other receivables from exchange transactions	-	6 915 674	6 915 674
Consumer receivables	-	399 868 707	399 868 707
Cash and cash equivalents	-	35 257 480	35 257 480
Long term receivables	-	104 397 633	104 397 633
	1 002 326	**560 934 576**	**561 936 902**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	20 520 835	20 520 835
Trade and other payables from exchange transactions	203 374 566	203 374 566
Payables from non- exchange transactions	4 107 287	4 107 287
	228 002 688	**228 002 688**

2012

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	717 276	13 661 070	14 378 346
Consumer receivables	-	71 595 492	71 595 492
Cash and cash equivalents	-	17 888 295	17 888 295
Long term receivables	-	80 596 426	80 596 426
	717 276	**183 741 283**	**184 458 559**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	23 928 470	23 928 470
Trade and other payables from exchange transactions	241 282 088	241 282 088
Payables from non- exchange transactions	16 691 534	16 691 534
	281 902 092	**281 902 092**

Figures in Rand	2013	2012

Financial instruments in the statement of financial performance

2013

	At fair value	At amortised cost	Total
Interest received from outstanding receivables	-	31 780 249	31 780 249
Interest received - investment	-	3 769 154	3 769 154
Finance costs	-	(12 526 586)	(12 526 586)
Reversal of debt impairment	-	252 835 924	252 835 924
Fair value adjustments on financial assets	285 051	-	285 051
	285 051	**275 858 741**	**276 143 792**

2012

	At fair value	At amortised cost	Total
Dividends received	13 264	-	13 264
Interest received from outstanding receivables	-	34 777 956	34 777 956
Interest received - investment	-	1 772 046	1 772 046
Finance costs	-	(17 442 204)	(17 442 204)
Debt impairment	-	(114 031 643)	(114 031 643)
Fair value adjustments on financial assets	(89 934)	-	(89 934)
	(76 670)	**(94 923 845)**	**(95 000 515)**

24. Administration and management fees received

	2013	2012
Administration and management fees received	7 756 798	9 325 816

These are fees received in relation to cut off and reconnection of services for customers who default in paying their consumer accounts.

25. Investment revenue

	2013	2012
Dividend revenue		
Listed financial assets	-	13 264
Interest received - investment		
Financial institutions	3 769 154	1 772 046
	3 769 154	**1 785 310**

Figures in Rand	2013	2012

26. Government grants and subsidies

Equitable share	189 937 016	170 794 048
Financial Management Grant	1 500 000	4 250 000
Municipal System Improvement Grant	-	790 000
Department Mineral and Energy Grant	-	6 508 224
Municipal Infrastructure Grant	107 339 730	60 641 180
Extended Public Works Grant	1 959 000	18 697
Gert Sibande District Municipality Grant	9 538 952	144 369
Housing Accreditation Fund	354 718	1 000 000
Department of Arts and Culture	-	18 002
Other grants and donations	-	82 479
Department of Health	-	5 000 000
SASOL	1 000 000	-
Sports and Development Grant	86 667	-
	311 716 083	**249 246 999**

Conditional and unconditional

Included above are the following grants and subsidies received:

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 175 (2012: R 170), based on a monthly billing towards the consumer account. The subsidy is determined annually by the council. All indigent residential households received 10kl water and 50kWh electricity free every month.

Municipality Infrastructure Grant

Balance unspent at beginning of year	33 970 695	18 856 875
Current - year receipts	91 896 000	75 755 000
Conditions met - transferred to revenue	(107 339 730)	(60 641 180)
	18 526 965	**33 970 695**

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (including the roads and sewerage votes).

Infrastructure projects had not been completed at year end.

Department of Cooperative Governance and Transitional Affairs

Balance unspent at beginning of year	-	54 611
Over expenditure written off	-	(54 611)
	-	**-**

This grant was allocated to improve capacity within the administration of the municipality and was used to improve internal procedures of various processes. Expenditure in excess of the allocated amount was spent on the projects. No funds have been withheld.

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Department Mineral and Energy Grant

Balance unspent at beginning of year	845 000	845 037
Current - year receipts	-	5 122 000
Conditions met - transferred to revenue	-	(6 508 225)
(Amounts withheld by National Treasury)/ over expenditure written off	(845 000)	1 386 188
	-	**845 000**

Expenses were incurred to connect houses to the electricity network of the municipality. Expenditure in excess of the allocated amount was spent of the projects.

Sports and Development Grant

Balance unspent at beginning of year	562 251	562 251
Conditions met - transferred to revenue	(86 666)	-
	475 585	**562 251**

This grant was received for the promotion and development of sport. Projects identified for application of the grant will run in the subsequent financial year. No funds have been withheld.

Gert Sibande District Municipality Grant

Balance unspent at beginning of year	-	216 220
Current - year receipts	9 538 952	-
Conditions met - transferred to revenue	(9 538 952)	(144 369)
Over expenditure written off	-	(71 851)
	-	**-**

This grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

Department of Arts and Culture

Balance unspent at beginning of year	64 093	82 095
Conditions met - transferred to revenue	-	(18 002)
	64 093	**64 093**

Conditions still to be met - remain liabilities (see note 18).

This grant was allocated for the upgrading of library equipment. Projects funded by this grant commenced in the subsequent financial year.

Extended Public Works Programme

Balance unspent at beginning of year	632 717	(1 603 586)
Current - year receipts	1 959 000	2 255 000
Conditions met - transferred to revenue	(1 959 000)	(18 697)
Over expenditure written off	(632 717)	-
	-	**632 717**

Projects to be funded by this grant were still in progress at year end 2012. Over expenditure in prior periods was written off as the amount was no longer recoverable.

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Financial Management Grant

	2013	2012
Current - year receipts	1 500 000	4 250 000
Conditions met - transferred to revenue	(1 500 000)	(4 250 000)
	-	**-**

The Financial Management Grant (FMG) is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the municipal finance management act (MFMA), 2003. The FMG grant also pays for the cost of the Financial Management Internship Programme (e.g. salary cost of the financial management interns).

Municipal System Improvement Grant

	2013	2012
Current - year receipts	800 000	790 000
Conditions met - transferred to revenue	-	(790 000)
	800 000	**-**

The Municipal System Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

Projects funded by this grant will run in the subsequent financial year.

Housing Accreditation Fund

	2013	2012
Balance unspent at beginning of year	-	21 999
Current - year receipts	1 000 000	978 001
Conditions met - transferred to revenue	(354 718)	(1 000 000)
	645 282	**-**

Conditions still to be met - remain liabilities (see note 18).

The grant was allocated to ensure that the Social Housing Programme of Provincial Government was carried out. The municipality acts as an agent for implementation of the plan.

At year end, projects were still in progress.

SASOL

	2013	2012
Current - year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	-	**-**

Department of Health

	2013	2012
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 000 000)
Other	-	-
	-	**-**

Changes in the level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2009), government grant funding is expected to increase over the forthcoming 2 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

27. Incidental income

Incidental income	1 502 589	10 512 788

Incidental income relates mainly to charges on request of duplicate accounts by customers.

28. Other income

Advertising income	161 008	166 697
Building plan and application fees	1 967 090	2 673 553
Sale of municipal houses	13 577 364	177 307
Skills development refund	984 091	1 366 436
Sundry revenue	3 555 667	4 346 979
	20 245 220	**8 730 972**

Sundry revenue relates to other earnings that are not the primary income generating activities of the municipality such as cemetery fees, library fees, photocopying, fire brigade fees, liquor and coffee bar takings.

A significant increase in income earned from the sale of municipal houses occured due to sale of properties in 2013 compared to leasing them under operating leases in the 2012 financial year.

29. Property rates

Rates received

Residential	114 551 354	106 331 886
Commercial	67 230 803	43 183 952
State	1 303 496	1 069 506
Industrial	17 809 749	15 202 963
Agricultural	18 057 563	3 145 863
Educational	2 261 459	(458 874)
Institutional	-	5 720 668
Less: Income forgone	(41 958 907)	(19 048 002)
	179 255 517	**155 147 962**

Valuations

Residential	11 795 873 737	4 578 581 360
Commercial	3 663 734 748	5 475 768 760
State	32 769 685	102 770 600
Municipal	695 927 845	675 849 720
Small holdings and farms	2 174 063 433	543 995 000
	18 362 369 448	**11 376 965 440**

30. Rental income

Premises	3 839 626	10 612 690
Theatre	32 634	41 086
	3 872 260	**10 653 776**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

31. Service charges

Sale of electricity	331 944 644	374 021 616
Sale of water	237 240 148	242 600 710
Sewerage and sanitation charges	52 375 533	51 727 586
Refuse removal	77 162 960	66 395 709
	698 723 285	**734 745 621**

32. Levies

Income from agency services	47 059 457	24 839 981

Income received for agency services provided to the Department of Roads and Transport in collection of license fees.

33. Interest received from outstanding receivables

Interest received from outstanding receivables	31 780 249	34 777 956

Interest is levied on consumer arrears outstanding for periods longer than 30 days on all consumers accounts with the exception of consumers with formal arrangements. Interest is determined by council at a rate linked to the prime rate.

34. Bulk purchases

Electricity	316 335 682	323 297 268
Water	160 120 359	149 363 237
	476 456 041	**472 660 505**

35. Contracted services

Information technology services	11 181 869	8 522 183
Fleet services	8 245 116	6 593 404
Professional services	18 170 718	9 761 849
Security and other specialist services	17 165 906	20 191 222
Other Contractors	9 541 898	10 430 154
	64 305 507	**55 498 812**

Other contractors includes amounts incurred through the use of contractors for various services such as meter reading and cut off of consumer services.

36. Debt impairment/ Reversal of impairment

Debt impairment/ Reversal of impairment	-	114 031 643
Reversal of impairment	(252 835 924)	-
	(252 835 924)	**114 031 643**

37. Depreciation and amortisation

Property, plant and equipment	301 701 440	362 156 079
Intangible assets	58 933	54 892
	301 760 373	**362 210 971**

Figures in Rand	2013	2012

38. Finance costs

Trade and other payables	8 470 092	7 296 855
Finance leases	1 516 580	2 537 354
Bank	29 548	1 589 542
Current borrowings	2 510 366	2 925 143
Capitalized	-	3 093 310
	12 526 586	**17 442 204**

39. General expenses

Advertising	2 519 240	2 523 121
Auditors remuneration	2 681 072	2 918 968
Bank charges	2 459 314	2 714 863
Cleaning	186 529	542 757
Community development and training	1 392 337	775 970
Computer expenses	4 633	-
Conferences and seminars	3 076 870	2 586 626
Consulting and professional fees	388 697	807 268
Consumables	1 627 865	753 787
Debt collection	1 794 027	159 481
Decrease in provisions	(54 440 884)	-
Departmental charges	3 390	689
Entertainment	430 183	75 643
Fuel and oil	518 916	210 438
Hire	8 394 740	9 293 421
Horticulture	2 084	(2 587)
Insurance	7 983 670	4 068 487
License fees	37 525 478	10 553 616
Loss/ (surplus) on consumable stores	(356 434)	-
Loss on water inventory	250 758	-
Magazines, books and periodicals	9 398	9 178
Marketing	291 240	186 803
Medical expenses	137 141	45 770
Other expenses	219 321	1 879 454
Placement fees	7 720	-
Postage and courier	1 750 039	1 764 232
Recruitment expenses	147 182	86 951
Refuse	3 767	2 380
Software expenses	82 314	133 048
Subscriptions and membership fees	133 356	3 624 842
Telephone and fax	4 254 913	3 658 393
Training	3 319 250	3 042 883
Transport and freight	21 470 602	17 879 637
Travel - local	1 567 424	1 554 728
Uniforms	1 381 028	1 008 874
Veterinary department	198 078	231 165
Warranties	-	23 799
	51 415 258	**73 114 685**

40. Auditors' remuneration

Fees	2 681 072	2 918 968

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

41. Grants and subsidies paid

Other subsidies		
Other free basic services	1 494 757	7 190 390
Free water services	2 923 409	27 827 510
Free electricity	2 588 554	26 159 568
Indigent subsidy	24 309 796	28 099 734
	31 316 516	**89 277 202**

There was a significant decrease in the number of indigents after an extensive verification and clean up of the indigents register during 2013, hence the decrease in grants and subsidies paid compared to 2012.

42. Impairment of assets

Impairments		
Property, plant and equipment	1 931 734	15 014 790

43. Employee related costs

Basic	200 799 315	195 679 626
Bonus	13 452 756	11 803 506
Medical aid - company contributions	52 310 163	49 936 194
UIF	1 944 117	1 760 348
Leave pay accrual	4 811 729	3 177 463
Post-employment benefits - Pension - Defined contribution plan	6 456 531	9 358 174
Travel, motor car, accommodation, subsistence and other allowances	13 772 788	10 794 050
Overtime payments	18 951 302	19 006 229
Housing benefits and allowances	758 478	751 934
	313 257 179	**302 267 524**

Remuneration of the Municipal manager: Mahlangu MF

Annual remuneration	994 154	802 663
Accommodation, subsistence, and travel allowances	129 780	94 535
Contributions to UIF, medical and pension funds	263 508	202 576
	1 387 442	**1 099 774**

The Municipal Manager was appointed on 16 January 2012.

Remuneration of the Chief Finance Officer: Mokgatsi MJ

Annual remuneration	919 269	691 104
Accommodation, subsistence, and travel allowances	147 671	95 356
Contributions to UIF, medical and pension funds	172 695	151 856
	1 239 635	**938 316**

The Chief Finance Officer was appointed on 01 June 2010.

Figures in Rand	2013	2012

43. Employee related costs (continued)

Remuneration of the Executive Director - Corporate Services: Mahlangu ZL

	2013	2012
Annual remuneration: Mahlangu ZL	750 191	-
Accommodation, subsistence, and travel allowances: Mahlangu ZL	127 721	-
Contributions to UIF, medical and pension funds: Mahlangu ZL	153 809	-
Annual remuneration: Maseko EN	-	811 200
Accommodation, subsistence, and travel allowances: Maseko EN	-	121 530
Contributions to UIF, medical and pension funds: Maseko EN	-	136 240
Other	-	89 238
	1 031 721	**1 158 208**

The above director was appointed on 01 April 2013 and acted in this position from 01 August 2012 to 31 March 2013. In 2012 this position was occupied by Maseko EN who was appointed on 01 January 2007 and resigned on 30 July 2012.

Remuneration of the Executive Director - Environmental affairs and tourism: Zikalala SS

	2013	2012
Annual remuneration	327 357	670 736
Accommodation, subsistence, and travel allowances	10 800	96 966
Contributions to UIF, medical and pension funds	83 949	173 482
Other	143 002	-
	565 108	**941 184**

The above director was appointed on 01 February 2007 and resigned on 31 December 2012.

Remuneration of the Executive director - Technical and Engineering Services: Mtshali BS

	2013	2012
Annual remuneration	852 348	-
Accommodation, subsistence, and travel allowances	96 000	-
Contributions to UIF, medical and pension funds	127 852	-
	1 076 200	**-**

The above director was appointed on 09 July 2012.

Remuneration of the Executive Director - Public Safety: Mthethwa K

	2013	2012
Annual remuneration: Mthethwa K	56 424	694 426
Car Allowance: Mthethwa K	8 000	96 000
Contributions to UIF, medical and pension funds: Mthethwa K	14 916	185 649
Other payments on resignation: Mthethwa K	73 886	-
Acting allowance: Gininda TM	204 755	-
	357 981	**976 075**

The above director was appointed on 01 January 2007 and resigned on 31 July 2012. The position was occupied by Gininda TM from 01 August 2012 to 31 March 2013.

Remuneration of the Executive director - Planning and development: Wetbooi NS

	2013	2012
Annual Remuneration: Wetbooi NS	143 262	-
Accommodation, subsistence, and travel allowances: Wetbooi NS	19 682	-
Contributions to UIF, Medical and Pension Funds: Wetbooi NS	13 935	-
	176 879	**-**

The above director was appointed on 01 April 2013.

Figures in Rand	2013	2012

43. Employee related costs (continued)

Remuneration of the Executive director - Health services: Michele ME

Acting allowance	64 308	-

The above director acted in this position from 01 August 2012 to 31 March 2013.

The remuneration of staff is within the upper limits of the South African Local Government Association (SALGA) Bargaining Council determinations.

Remuneration of the Executive Director - Community Services: Zulu TT

Annual Remuneration	584 974	-
Accommodation, subsistence, and travel allowances	357 600	-
Contributions to UIF, Medical and Pension Funds	129 026	-
	1 071 600	**-**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

44. Remuneration of councillors

Councillors	15 566 880	14 498 981

The remuneration of political office bearers and councillors is within the upper limits as determined by the framework envisaged in section 219 of the relevant legislation.

All councillors who were appointed in previous years were still active at 30 June 2013 except Labuschagne E who resigned on 28 February 2013.

Councillors	Appointment date	Annual remuneration	Accommodation, subsistence, and travel allowances	Contributions to UIF, medical and pension funds	Total
Badenhorst HJ	01/03/2001	131 143	50 271	19 672	201 086
Baker TE	17/01/2011	116 117	50 271	35 980	202 368
Bosch PR	21/05/2011	131 143	50 271	19 672	201 086
Buthelezi TM	08/12/2000	131 143	50 271	19 672	201 086
Denny TM	08/03/2006	131 143	50 271	19 672	201 086
Gwiji CV	21/05/2011	334 688	134 057	67 481	536 229
Khayiyana MZC	21/05/2011	327 858	125 679	49 178	502 715
Labuschagne E	21/05/2011	87 429	33 514	13 116	134 059
Labuschagne PJ	08/12/2000	116 117	50 271	34 698	201 086
Lekoloane ML	21/05/2011	131 143	50 271	19 672	201 086
Mabena SS	05/01/2011	131 143	50 271	19 672	201 086
Mahlangu BD	08/12/2000	116 117	50 271	34 698	201 086
Mahlangu BS	21/05/2011	327 858	125 679	49 178	502 715
Mahlangu RM	15/03/2011	116 117	50 271	34 866	201 254
Mahlangu SS	08/03/2006	131 143	50 271	19 672	201 086
Majozi NE	21/05/2011	131 143	50 271	19 672	201 086
Makhanye SA	21/05/2011	312 831	125 679	64 205	502 715
Makola MB	21/05/2011	131 143	50 271	19 672	201 086
Manzi NE	21/05/2011	131 143	50 271	19 672	201 086
Masango JM	21/05/2011	131 143	50 271	19 672	201 086
Masango SA	21/05/2011	116 117	50 271	34 698	201 086
Masina HS	21/05/2011	120 518	50 271	30 297	201 086
Masina LL	08/03/2006	422 118	167 572	80 597	670 287
Masombuka PP	08/03/2006	121 221	50 271	29 594	201 086
Masombuka SM	09/10/2007	116 117	50 271	34 698	201 086
Mathabe NM	21/05/2011	131 143	50 271	19 672	201 086
Mayisa JS	16/04/2012	174 857	-	26 229	201 086
Mkhwanazi ZG	21/05/2011	116 367	50 271	34 448	201 086
Mngomezulu MP	21/05/2011	131 143	50 271	19 672	201 086
Motaung AD	08/03/2006	131 143	50 271	19 672	201 086
Mtshali PD	21/05/2011	327 858	125 679	49 178	502 715
Mtsweni LJ	21/05/2011	116 117	50 271	34 698	201 086
Mtsweni MJ	21/05/2011	131 143	50 271	19 672	201 086
Mtsweni TA	08/03/2006	130 114	50 271	20 701	201 086
Mvundla WL	21/05/2011	131 143	50 271	19 672	201 086
Mzinyane TE	21/05/2011	116 308	50 271	34 506	201 086
Ndaba BB	21/05/2011	131 143	50 271	19 672	201 086
Ndinisa BJ	08/03/2006	116 117	50 271	34 698	201 086
Ndlovu SJ	21/05/2011	131 143	50 271	19 672	201 086
Ngxonono YT	21/05/2011	313 082	125 679	63 954	502 715
Nhlapo MD	21/05/2011	131 143	50 271	19 672	201 086
Nkabinde JB	01/03/2013	58 286	-	8 743	67 029
Nkabinde MA	08/03/2006	131 143	50 271	19 672	201 086
Nkambule FB	08/12/2000	327 858	125 679	49 178	502 715

Notes to the Annual Financial Statements

Figures in Rand				2013	2012

44. Remuneration of councillors (continued)

Nkosi MJ	08/03/2006	131 143	50 271	19 672	201 086
Nkosi NE	08/12/2000	327 858	125 679	49 178	502 715
Nkosi NK	21/05/2011	131 143	50 271	19 672	201 086
Ntuli GN	21/05/2011	118 089	50 271	32 726	201 086
Nxumalo NJ	21/05/2011	116 117	50 271	34 698	201 086
Nzama PG	05/01/2011	123 630	50 271	27 185	201 086
Pretorius RJ	21/05/2011	131 143	50 271	19 672	201 086
Sibande ES	21/05/2011	116 117	50 271	34 698	201 086
Tlou DL	02/08/2012	110 113	46 014	25 659	181 786
Tsotetsi TJ	08/03/2006	131 143	50 271	19 672	201 086
van Baalen JA	08/03/2006	116 117	50 271	34 698	201 086
van Den Berg PE	21/05/2011	131 143	50 271	19 672	201 086
van Huyssteen NC	21/05/2011	116 117	50 271	34 698	201 086
van Rooyen EJ	21/05/2011	131 143	50 271	19 672	201 086
van Tonder DJ	08/12/2000	131 143	50 271	19 672	201 086
Victor NS	08/03/2006	131 143	50 271	19 672	201 086
Vilakazi EA	21/05/2011	116 367	50 271	35 011	201 649
Zulu NN	21/05/2011	131 143	50 271	19 672	201 086
Zulu TS	21/05/2011	131 143	50 271	19 672	201 086
Zwane PJ	21/05/2011	116 117	50 271	34 698	201 086
		9 859 121	**3 824 754**	**1 883 005**	**15 566 880**

45. Cash (used in)/ generated from operations

	2013	2012
Surplus/ (deficit)	121 265 993	32 559 044
Adjustments for:		
Depreciation and amortisation	301 760 373	362 210 971
Gain/ (loss) on sale of assets and liabilities	121 669 419	(1 128 849)
Fair value adjustments on investment property	-	-
Fair value adjustments on financial assets	(285 051)	89 934
Finance costs - finance leases	1 516 580	2 537 354
Impairment deficit	1 931 734	15 014 790
Debt impairment	(252 835 924)	114 031 643
Movements in retirement benefit assets and liabilities	883 000	20 299 376
Movements in provisions	(54 440 885)	(23 945 009)
Adjustments in assets held for sale	127 776	(1 340 000)
Non cash movement in assets	146 760 697	(338 566 622)
Changes in working capital:		
Inventories	(910 760)	1 988 775
Other receivables from exchange transactions	127 583	11 780 660
Consumer receivables	(328 273 215)	(157 566 554)
Trade and other payables from exchange transactions	(37 907 513)	(21 920 302)
VAT	42 163 495	(4 916 912)
Payables from non exchange transactions	(12 584 247)	-
Unspent conditional grants and receipts	(15 562 831)	17 192 474
Consumer deposits	1 048 428	1 982 501
	36 454 652	**30 303 274**

46. Commitments

Authorised capital expenditure

	2013	2012
Already contracted for but not provided for		
• Property, plant and equipment	17 793 233	33 947 164
Expenditure will be financed from		
• Municipal Infrastructure Grant	17 793 233	33 947 164

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

47. Contingencies

The following legal proceedings are currently in progress:

Refer to appendix B for details on contingent liabilities listed below.

TNM Kgomo & Associates Incorporated		
Govan Mbeki Municipality vs T. Potsane	150 000	
Govan Mbeki Municipality vs H. Odendaal	300 000	
Govan Mbeki Municipality vs Sibeko Maziya Projects	200 000	
Govan Mbeki Municipality vs Skills Management Intervention	200 000	
Ramathe Attorneys		
Govan Mbeki Municipality vs Joubert JNR	50 000	
Govan Mbeki Municipality vs Lephogo Construction	1 000 000	-
Govan Mbeki Municipality vs S. M Khumalo	40 000	
Govan Mbeki Municipality vs M. S Khumalo	40 000	-
Govan Mbeki Municipality vs D. T Badenhorst	100 000	-
Govan Mbeki Municipality vs N. Mdlankomo	40 000	-
Els, Louw & Rasool attorneys		
Govan Mbeki Municipality vs Caluma Projects (Pty) Ltd	50 000	
Govan Mbeki Municipality vs Tank Projects Solution CC	2 178 762	-
Cronje de Waal & Skhosana Attorneys		
Govan Mbeki Municipality vs M. Sibeko	100 000	-
Other		
GMM vs Mlotshwa	20 000	
Govan Mbeki Municipality vs Simstone (PTY) Ltd, Sibeko Maziya Trading and Projects CC	159 907	
Govan Mbeki Municipality vs SAMWU	173 000	
Govan Mbeki Municipality vs Europ assistance	55 134	-
Govan Mbeki Municipality vs Z. Nyawo	50 000	-
Govan Mbeki Municipality vs L. H. Mathunyane	3 000 000	-
Govan Mbeki Municipality vs L. A Du Pisanie	1 383 800	-
	9 290 603	

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

48. Related parties

Relationships
A list of the detailed related parties is available for inspection at the Municipal Manager's office.

Councilors:

Badenhorst H	20% shareholding and director of Dinyane Education and Training (Pty) Ltd
Bosch PR	100% shareholding in Digi Mac CCTV
Khayiyana MZC	100% membership of Hentiq 1739 CC
Mabena SS	Taxi owner
Makola MB	Director of Cally Civil and Building Construction
Masango JM	Membership in Mnguni Thubana Construction and Project CC
Mtsweni TA	100% shareholding in TA Mtsweni Projects, 50 and interest in Rental Stock 26568
Nkosi NK	100% shareholding and director of Neopal (Pty) Ltd
Nzama PG	Interest in Q - pha Trading Enterprise
Van den Berg P	Member of SAIM Professional Board, interest in section 21 company (Child protection)
Van Hysteen NC	Interest in Tamasa Trading
Zwane PJ	Director of Six Skipa (Pty) Ltd, Director of Jazwa (Pty) Ltd

Employees:

Gulube B	Director of Izibulo H3B trading Enterprise
Mahlangu M	Ownership of 10 shares in Inzalo, shares in SASOL, Zenzele and SAB. 100% ownership of Pub, interest in Taifa joint Osizweni Trust, Nokhotwayo Trust and non profit Education and Community Development
Mahlangu S	Director of Sanom General Trading
Mahlangu V	Director of Hlangu's Cash Loans
Maseko TM	100% ownership of Lelo's Transport and Projects
Mokgatsi JM	60% owner of Uthando Guest House T/A Downing Developments and Services
Phungwayo T	Board member of Bethal Hospital
Rohan K	50% interest in Shammy Shine Car Wash and 50% in Khomanani Development Planners and Architectural Draughting

Figures in Rand	2013	2012

48. Related parties (continued)

Sibeko BJ	Director of FGM IT Consulting Ltd
Zulu TT	100% share owner of Sithiza Trding CC

Related party transactions

Purchases from related parties		
Embalenhle Finance	-	61 923
Emnotweni transport	-	797 350
Frieshka trading and services	10 625	205 110
Ozikode civils and construction	-	16 500
Tajo transport cleaning labour hire	-	1 989 930
Tau and Gwezi Trading	-	7 800
Prosperity Security and Training	-	47 600

Figures in Rand	2013	2012

49. Prior period errors

1. Consumer receivables/ revenue

Revenue and receivables from exchange transactions were overstated by an amount of R7,488,900 due to recognition of a receivable and income that should not have been recognised.

Revenue from exchange transactions and consumer receivables were overstated by R2,180,587 in the 2012 annual financial statements due to errors on recognition of transactions.

Consumer receivables were understated by an amount of R10,720,613 in the 2012 annual financial staements due to incorrect closing balances brought forward from the 2011 financial year.

Revenue and receivables from exchange transactions were misstated by R31,247 due to non recognition of transactions that occured after the billing cut off date in 2012.

Revenue from non exchange transactions was overstated by an amount of R378,964 due to transactions that should have been recorded in 2012.

The prior year has been amended to account for these errors.

2. Payables/ expenditure

Payables from exchange transactions were understated by an amount of R423,600 due to transactions not recognised in the correct accounting period.

Expenditure was overstated by a total of R2,176,367.45 in the 2012 annual financial statements due to transactions that should have been reversed in 2012.

Accrued leave pay and accrued annual bonus were misstated by R1,117,929 and (R133,233.68) respectively due to calculation errors in 2012. Employee related costs were understated by R984,695 as a result of this error.

Grants overspent in prior periods amounting to R1,368,947 which are not refundable were recognised as grants receivable in the 2012 financial statements instead of being written off in 2012.

The prior year has been amended to account for these errors.

3. Financial assets

Financial assets were overstated in the 2012 annual financial statements due to non recognition of fair value changes totalling R89,934.

The prior year has been amended to account for this error.

4. Departmental charges

Departmental charges allocated to each department in the municipality totalling R5,597,609 were erroneously recognised as an expense and deducted from consumer receivables in the prior period financial statements.

The prior year has been amended to account for this error.

5. Assessmenmt rates and municipal charges

General expenditure and other income were overstated in the prior period by R396,377 due to simultaneous recognition of income and an expense for the municipality's share of assessment rates.

6. Property, plant and equipment and investment property

Heritage assets totalling R4,624,136 were incorrectly disclosed as other property, plant and equipment in prior periods. This error has been adjusted retrospectively from the earliest prior period presented.

49. Prior period errors (continued)

Assets amounting to R1,413,188 were incorrectly disclosed as non current assets held for sale instead of property, plant and equipment.

Property, plant and equipment and investment properties totalling R4,239,944 and R33,259,076 respectively were incorrectly disclosed as inventories in the 2012 financial statements. These assets were held as investment property in 2012.

Property, plant and equipment was misstated in the 2012 and prior period financial statements due to inclusion of assets that should not have been recognised as assets in prior periods. The carrying amount of property, plant and equipment was overstated by R87,563,553 in 2012.
Depreciation in the prior period was over stated by R17,848,858 due to this error.
Repairs and maintanance expenses were understated by R1,903,456 due to this error.

Impairment losses were understated in the 2012 annual financial statements by an amount of R13,658,873.

The above prior period errors have beencorrected retrospectively from the earliest prior period presented, 2011.

Effects of changes in accounting policies

GRAP 103 Heritage assets

1. Implementation of GRAP 103 resulted in reclassification of heritage assets totalling R19,700 from property, plant and equipment. These assets have been separately disclosed. Refer to note 6.

Investment property

During the year, the municipality changed its accounting policy on subsequent measurement of investment property from the cost model to the fair value model to achieve fairer presentation of investment properties in the annual financial statements.

The above changes in accounting policy have been effected retrospectively from the earliest prior period presented, 2011.

The correction of the errors / change in accounting policies resulted in adjustments as follows:

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

49. Prior period errors (continued)

Revenue from exchange transactions/ receivables

Revenue from exchange transactions	-	7 488 900
Consumer receivables from exchange transactions	-	(7 488 900)
Service charges	-	1 207 186
Administration and management fees received	-	230
Interest received from outstanding debtors	-	764 436
Other income	-	51 158
Property rates	-	157 577
Consumer receivables	-	(2 157 570)
Consumer deposits	-	(500)
Long term receivables	-	(22 515)
Accumulated surplus	-	(10 720 613)
Administration and management fees received	-	11 582
Property rates	-	3 461
Service revenue	-	16 057
other income	-	147
Consumer receivables from exchange transactions	-	(28 458)
Long term receivables	-	(2 789)
Income from agency services	-	(378 694)
Unallocated receipts	-	378 694
Consumer receivables from exchange transactions	-	5 597 609
General expenses	-	(5 597 609)

Payables/ expenditure

Cash and cash equivalents	-	2 176 367
General expenses	-	(22 606)
Other revenue from exchange transactions (rental income)	-	(900)
Contracted services	-	(1 678 744)
Finance cost (Trade and other payables from exchange transactions)	-	(474 117)
Trade and other payables from exchange transactions	-	423 600
General expenses	-	(423 600)
Trade and other payables from exchange transactions: Accrued leave pay	-	(1 117 929)
Trade and other payables from exchange transactions: Accrued annual bonus	-	133 234
Employee related cost	-	984 695
General expenses: Assessmenr rates and municipal charges	-	(396 377)
Other income	-	396 377
Trade and other payables from exchange transactions	-	(1 368 948)
General expenses	-	1 368 948

Financial assets

Financial assets	-	(89 934)
Fair value gains/ losses on financial assets	-	89 934

Property, plant and equipment and investment property

Non current assets held for sale	-	(1 413 188)
Property, plant and equipment	-	1 413 188
Investment property	-	33 259 076
Property, plant and equipment	-	4 239 944
Inventories	-	(37 499 020)

Property, plant and equipment	-	(87 563 553)
Depreciation	-	17 848 858
Impairment of assets	-	13 658 873
Repairs and maintanace	-	1 903 456
Heritage assets	-	4 624 136

Figures in Rand	2013	2012
49. Prior period errors (continued)		
Other property, plant and equipment	-	(4 624 136)
	-	-

Effects of changes in accounting policy

GRAP 103 Heritage assets

Property, plant and equipment	-	(19 700)
Heritage assets	-	19 700

Investment property

Investment property	-	337 590 650
Fair value gain on investment proprty	-	(337 590 650)

Statement of Financial Performance for the year ended 30 June 2012	Balance as previously reported	Change in accounting policies	Prior period error	Reclassification	Restated balance
Revenue					
Administration and management fees received	9 337 628	-	(11 812)	-	9 325 816
Fair value gain on investment property	-	337 590 650	-	-	337 590 650
Income from agency services	25 218 393	-	(378 412)	-	24 839 981
Interest received from outstanding debtors	35 542 392	-	(764 436)	-	34 777 956
Other income	9 178 507	-	(447 535)	-	8 730 972
Property rates	155 305 540	-	(157 578)	-	155 147 962
Rental income	18 141 293	-	(7 487 517)	-	10 653 776
Service charges	735 972 849	-	(1 227 228)	-	734 745 621
Total revenue	988 696 602	- 337 590 650	(10 474 518)	- -	315 812 734

Expenditure	Balance as previously reported	Change in accounting policy	Prior period error	Reclassification	Restated balance
Contracted services	53 779 915	-	(1 678 740)	3 397 637	55 498 812
Depreciation and amortisation	380 059 829	-	(17 848 858)	-	362 210 971
Employee related cost	301 292 327	-	984 697	(9 500)	302 267 524
Finance costs	17 916 322	-	(474 117)	-	17 442 205
General expenses	81 583 666	-	(5 071 344)	(3 397 637)	73 114 685
Impairment of assets	1 355 917	-	13 658 873	-	15 014 790
Remuneration of councillors	14 489 481	-	-	9 500	14 498 981
Repairs and maintanance	35 714 221	-	1 903 456	-	37 617 677
Fair value adjustments on financial assets	-	-	(89 934)	-	(89 934)
Total expenditure	886 191 678	-	(8 615 967)	- -	877 575 711

Figures in Rand	2013	2012

49. Prior period errors (continued)

Statement of Financial Position as at 30 June 2012	Balance as previously reported	Change in accounting policies	Prior period error	Reclassification	Restated balance
Assets					
Current Assets					
Cash and cash equivalents	15 711 827	-	2 176 468	-	17 888 295
Other financial assets	14 468 280	-	(89 934)	-	14 378 346
Consumer receivables	129 469 408	-	(57 873 916)	-	71 595 492
Other receivables from exchange transactions	5 742 704	-	-	1 300 553	7 043 257
Inventories	43 165 126	-	(37 499 020)	-	5 666 106
Total current assets		-			
	159 649 515	-	(55 787 382)	1 300 553	105 162 686

Non-current Assets	Balance as previously reported	Change in accounting policy	Prior period error	Reclassification	Restated balance
Property, plant and equipment	595 403 128	(19 700)	(87 543 853)	-	507 839 575
Heritage assets	-	19 700	4 624 136	-	4 643 836
Investment property	258 036 747	657 339 229	33 259 076	-	948 635 052
Non current assets held for sale	1 413 188	-	(1 413 188)	-	-
Long term receivables	6 442 537	-	64 428 075	-	70 870 612
Total non-current assets	861 295 600	657 339 229	13 354 246	-	531 989 075
				-	

Liabilities Current Liabilities	Balance as previously reported	Change in accounting policy	Prior period error	Reclassification	Restated balance
Trade and other payables from exchange transactions	235 358 917	-	561 352	5 361 819	241 282 088
Payables from non exchange transactions	-	-	378 694	16 312 840	16 691 534
Consumer deposits	18 030 925	-	(63 330)	-	17 967 595
Finance lease obligation	5 620 479	-	-	(3 149 988)	2 470 491
Provisions	26 738 598	-	-	(26 738 598)	-
Long service award liability	-	-	-	1 381 155	1 381 155
Unspent conditional grants and receipts	34 705 808	-	1 368 948	-	36 074 756
Employee benefit obligations	-	-	334 152	-	334 152
Total current liabilities	320 454 727	-	2 579 816	(6 832 772)	316 201 771

Non-current Liabilities	Balance as previously reported	Change in accounting policy	Prior period error	Reclassification	Restated balance
Finance lease obligation	-	-	-	3 149 988	3 149 988
Long service award liability	-	-	-	15 698 813	15 698 813
Provisions	149 397 200	-	-	(10 715 476)	138 681 724
Total non-current liabilities					
	149 397 200	-	-	8 133 325	157 530 525

49. Prior period errors (continued)

Notes to the Annual Financial Statements

50. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards. All changes resulting from the application of these Standards of GRAP were accounted for retrospectively.

- GRAP 21: Impairment of nin cash generating assets
- GRAP 23: Revenue from non exchange transactions
- GRAP 24: Presentation of budget information in the financial statements
- GRAP 26: Impairment of cash generating assets
- GRAP 103: Heritage assets
- GRAP 104: Financial Instruments

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2012 is disclosed in note 49 Prior period errors.

51. Comparative figures

Certain comparative figures have been reclassified.

1. Accrued leave pay totalling R14,052,582 was disclosed as a provision in 2012 instead of trade and other payables from exchange transactions (accrued expenses).
2. Unallocated receipts totalling R16,312,840 were disclosed as trade and other payables from exchange transactions in 2012 instead of payables from non exchange transactions.
3. Councillors' medical aid contributions totalling R9,500 were disclosed as part of employee related costs in 2012 instead of councillors' remuneration.
4. Expenditure incurred in the disconnection of consumer services totalling by an appointed service provider R3,397,637 was disclosed as general expenses (cut off) in 2012 instead of other contracted services.
5. Recruitment expenditure of R86,951 was disclosed as general expenses (cut off) in 2012 instead of recruitment expenses.
6. Various expenditure items totalling R508,125 that constitute 'other expenses' were incorrectly disclosed as general expenses (cut off) instead of 'Other expenses'
7. Assets held under finance lease with a carrying amount of R4,220,460 in 2012 have been reclassified to the specific class of assets to which they belong, other property, plant and equipment.
8. Accrued annual bonus (13th cheque) totalling R6,321,524 was incorrectly disclosed as a provision in the 2012 annual financial statements.
9. Long term portion of employee benefit obligations totalling R4,983,337 was diclosed as current portion of provisions in the 2012 annual financial statements.
10. Long service award liability totalling R17,079,969 was reclassified from provisions and disclosed separately as long service award liability.
11. Current and non current portions of finance lease obligations was not disclosed separately in the 2012 annual financial statements. An amount of R2,470,491 has been reclassified from finance lease .obligations to non current finance lease obligations.
12. Trade and other payables from exchange transactions with debit balances totalling R1,301,075 were disclosed as payables in the 2012 financial statements instead of other receivables from exchange transactions.

The effects of the reclassification are as follows:

Figures in Rand	2013	2012

51. Comparative figures (continued)

Statement of financial position		
Trade and other payables from exchange transactions	-	(14 052 582)
Provisions	-	14 052 582
Payables from non exchange transactions	-	(16 312 840)
Trade and other payables from exchange transactions	-	16 312 840
Other property, plant and equipment	-	4 220 464
Finance lease assets	-	(4 220 464)
Provisions	-	6 321 524
Trade and other payables from exchange transactions	-	(6 321 524)
Current liabilities: Provisions	-	(4 983 337)
Non current liabilities: Provisions	-	4 983 337
Provisions	-	17 079 969
Current liabilities: Long service award liability	-	(1 381 155)
Non current liabilities: Long service award liability	-	(15 698 813)
Current liabilities: Finance lease obligation	-	2 470 491
Non current liabilities: Finance lease obligation	-	(2 470 491)
Trade and other payables from exchange transactions	-	(1 301 075)
Other receivables from exchange transactions	-	1 301 075
Statement of Financial Performance		
Councillors remuneration	-	9 500
Personnel cost	-	(9 500)
Contracted services (other)	-	3 397 637
General expenses (cut off)	-	(3 397 637)
Recruitment expenses	-	86 951
General expenses (cut off)	-	(86 951)
Other expenses	-	508 125
General expenses (cut off)	-	(508 125)

52. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

53. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

54. Unauthorised expenditure

Opening balance	137 159 794	15 189 456
Additions during the year & disclosed in the annual financial statements	-	121 970 338
	137 159 794	**137 159 794**

55. Fruitless and wasteful expenditure

Interest charged by sundry payables	6 347	44 451
Interest charged by Eskom	8 056 278	8 536 793
Interest and penalties charged by SARS	463 625	2 404 800
Less: Condoned	(1 702 323)	(10 986 044)
	6 823 927	**-**

56. Irregular expenditure

Irregular expenditure - current year	4 441 210	24 437 882

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

56. Irregular expenditure (continued)

Details of irregular expenditure – current year		
No contracts for annual cleaning of septic tanks		2 647 640
No planning for the acquisition of transformers		763 800
Insufficient quotations obtained for acquisition of paint for road markings		28 670
Non compliance with departmental plans on the repair of a man hole sewer at Cow village		85 500
Insufficient quotations obtained for the purchase of protective clothing		6 991
Insufficient quotations obtained for the purchase of files		10 317
Insufficient quotations obtained for the replacement of electrical poles string bundle conductor		23 500
Lack of planning for the procurement of transformers		102 600
Non compliance with departmental master plans in the maintanance of street and high mast lights at Embalenhle extension 19		130 590
Non compliance with departmental master plans in the maintanance of street and high mast lights at Embalenhle extension 21		35 250
Non compliance with departmental master plans in the maintanance of street and high mast lights at Embalenhle extension 20		51 098
No planning for the acquisition of 315kva transformers from various suppliers		352 260
Non compliance with departmental master plans in the repair of Milan Park sewer pump station		104 288
Insufficient quotations obtained for the hire of a crane to remove illegal containers at Embalenhle		27 000
Non compliance with departmental master plans in the unblocking of sewer lines at Embalenhle		71 706
		4 441 210

57. Other irregularities

Misappropriation of funds and failure to account for monies	230 134	-
Dishonesty, tampering with financial system	500 000	-
Dishonesty, theft of motor vehicle	15 000	-
	745 134	**-**

The above are the reported cases of financial misconduct that occured during the year.

58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	2 765 672	-

Material losses incurred

Distribution losses on electricity (units)	16 430 225	85 196 931
Distribution losses on water (units)	12 907 286	34 534 038
	29 337 511	**119 730 969**

Figures in Rand	2013	2012

58. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

	2013	2012
Amount paid - current year	2 681 072	2 918 968

South African Revenue Service (SARS)

	2013	2012
PAYE paid	36 098 670	33 055 383
SDL paid	2 598 498	2 347 510
UIF paid	3 908 869	3 606 794
VAT paid	9 604 521	3 446 404
	52 210 558	**42 456 091**

VAT

	2013	2012
VAT payable	68 047 198	25 883 703

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mahlangu RM	1 089	23 448	24 537
Masango JM	111	865	976
Masango SA	696	665	1 361
Mathabe NM	1 228	14 467	15 695
Mayisa JS	759	3 688	4 447
Mkhwanazi ZG	203	1 314	1 517
Mtshali PD	404	8 363	8 767
Mzinyane TE	1 233	89 461	90 694
Ndaba BB	1 504	2 368	3 872
Ndlovu SJ	3 763	5 706	9 469
Ngxonono YT	2 512	160	2 672
Tlou DL	18 621	10 390	29 011
Tsotetsi TJ	670	-	670
Van Rooyen EJ	1 552	214	1 766
Zulu NN	1 828	837	2 665
	36 173	**161 946**	**198 119**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned. A detailed register of deviations is available for inspection at the office of the Municipal Manager.

Incident	2013	2012
Social crime prevention	-	2 101 815
Emergency	954 698	6 775 110
Other	-	4 154 084
Sole supplier	1 446 017	-
Where it is impractical or impossible to follow process	1 069 776	-
	3 470 491	**13 031 009**

59. Budget differences

Material differences between budget and actual amounts

All budget fluctuations above 10% in comparison to actual results for the year were considered material and are explained below:

Collection and cut-off costs: The municipality embarked on an exercise to seal the meters, this led to decreased cut off expenses.

Impairment: No bad debts were written off during the year

Grants and subsidies paid: The indigent register was cleansed and this resulted in a decline in eligible indigents.

Other Expenses: Due to the cash flow constraints encountered during the year, expenses were reduced and controlled for financial sustainability.

Repairs and maintenance: Due to the cash flow constraints encountered during the year, expenses were reduced and controlled for financial sustainability

Contributed assets: As at year end only 43% of contribution assets recognised from Gert Sibande had been handed over to the municipality. The rest had not been completed yet.

Contributions recognised - capital: Assets not yet recognised from companies (Harmony,DTI,Anglo,Sasol,Sudor).

Gains on disposal of assets: The disposal process overlapped into the next financial year as the registration process of properties took longer, affecting income performance.

Interest earned - investments: More interest was received from investments as more funds were put in call investments deposits that yielded interest.

Licences and permits: It is no longer compulsory to pay for dog licences as a result the number of payers has reduced.

Other revenue: Insurance claims received were lower than budgeted for due to lower incidents of accidents reports. Incidental income collections were also below expectations.

Property rates: Increase in customer base as the town expands.

Property rates - penalties and collection charges: Unbudgeted for income, going forward this is a welcome source of income.

Rental of facilities and equipment: Some properties that were rented out were sold during the year, this contributed to reduction in this income source.

Transfers recognised - capital: The amount spent included an unspent MIG portion which was rolled over amounting to 29.9 million.The spending on the MIG is highly commendable.

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed/ written off during the period Rand	Balance at 30 June 2013 Rand	Short term portion of loans Rand	Long term portion of loans Rand
Development Bank of South Africa								
002- DBSA- 15,5% bi- annually	11167/202	30/09/2019	434 814	-	33 903	400 911	37 918	362 993
003- DBSA- 15,5% bi- annually	11167/102	30/09/2019	238 864	-	18 624	220 240	20 830	199 409
004- DBSA- 16,5% bi- annually	13427/102	30/09/2019	3 745 980	-	281 587	3 464 393	317 122	3 147 271
005- DBSA- 8,93% bi- annually	101781/1	31/03/2021	7 613 393	-	2 492 069	5 121 324	2 710 757	6 692 593
006- DBSA- 11,55% bi- annually	103198	31/03/2016	11 895 418	-	581 449	11 313 969	620 863	6 411 081
			23 928 469	**-**	**3 407 632**	**20 520 837**	**3 707 490**	**16 813 347**
Total external loans								
Development Bank of South Africa			23 928 469	-	3 407 632	20 520 837	3 707 490	16 813 347
			23 928 469	**-**	**3 407 632**	**20 520 837**	**3 707 490**	**16 813 347**

Supplementary Information

Appendix B: Schedule of irregular expenditure, deviations and contingencies